UMJINDI LOCAL MUNICIPALITY

FINAL MULTI YEAR (2015/2016) FINANCIAL PLAN

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Chief Financial Officer
Client: Umjindi Local Municipality

Document Classification:
Confidential

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1. PURPOSE

1.1 The purpose of this document is to outline the comprehensive Multi-year Financial Plan that will ensure long-term Financial sustainability for the Municipality.

1.2 A Multi-year Financial Plan is essential to ensure that the Municipality continues to implement its mandate effectively without impairing its capital base. It will also enable the Municipality to move towards self-sufficiency in meeting the growing demands of Service Delivery.

2. BACKGROUND:

2.1 A Financial Plan is prepared for a period of at least three years, however it is preferred that it should be for over a period of five or more years.

2.2 A Multi-Year Financial Plan is prepared to ensure financial sustainability of the Municipality paying particular attention to the Municipality's infrastructure requirements.

2.3 It is also an important component of the Municipality's Integrated Development Plan.

2.4 A prudent Multi-Year Financial Plan identifies and prioritizes expected needs based on the Municipality's Five-Year Integrated Development Plan and details estimated amounts of funding various sources.

2.5 The Multi-Year Financial Plan will also ensure that the Municipality has greater financial health and sustainability, making it easier to collaborate on projects with other levels of Government and various public and private stakeholders. This will further enhance the ability of the Municipality to have access to more financing, funding and grants.

3. FINANCIAL STRATEGY FRAMEWORK:

3.1 Umjindi Municipality is a developing and growing Municipality striving for service delivery excellence. Therefore many challenges are faced with regards to Financial Planning and are ever changing due to the dynamic setting of Local Government.

3.2 The priority for the Municipality, from the financial perspective is to ensure viability and sustainability of the Municipality. The Multi-Year Financial Plan and related strategies will therefore need to address a number of key areas in order to achieve this priority. These strategies are detailed below:

3.2.1 Revenue Enhancement Strategy:

* To seek alternative sources of funding;
* Expand Income base through implementation of new Valuation Roll;
* The ability of the Community to pay for services;
* Identification and pursuance of Government Grants;
* Tightening Credit Control measures and Debt Collection Targets;

* Improve customer relations and promote a culture of payment;
* Realistic Revenue estimates;
* The impact of inflation, the Municipal cost index and other cost increases; and
* The creation of an environment which enhances growth, development and Service Delivery.

3.2.2 Asset Management Strategy:

* The implementation of a GRAP compliant Asset Management System;
* Adequate Budget provision for Asset Maintenance over their economic lifespan (Remains currently a challenge);
* Maintenance of asset according to an Infrastructural Asset Management Plan (Remains currently a challenge and in developmental stage);
* Maintain a system of Internal control of assets to safeguard assets; and
* Ensure all assets owned and/or controlled except specific exclusions are covered by Insurance.

3.2.3 Financial Management Strategies:

* To maintain an effective system of Expenditure control including procedures for the approval, authorization, withdrawal and payment of funds.
* Preparation of the Risk Register and application of Risk Control;
* Implement controls, procedures, policies and by-laws to regulate fair, just and transparent transaction;
* Training and development of Senior Financial staff to comply with prescribed minimum competency level
* Implement new GRAP standards as gazette by National Treasury; and
* Prepare Annual Financial Statements timorously and review performance and achievements for past financial years.
* The new SCOA (Standard Charter of Accounting) as developed by National Treasury and currently being implemented in pilot municipalities (2015/2016) will have a huge impact on the financial reporting in term of the MFMA.
* The new SCOA (Standard Charter of Accounting) must be implemented by all municipalities as from 1 July 2016 (2016/2017 Financial year)

3.2.4 Operational Financing Strategies:

* Effective Cash Flow Management to ensure continuous, sufficient and sustainable cash position;
* Enhance budgetary controls and financial reporting;
* Direct available Financial resources towards meeting the projects as identified in the IDP, and
* To improve Supply Chain Management processes in line with regulations.

3.2.5 Capital Funding Strategies:

* Ensure service delivery needs are in line with Multi-year Financial Plan;
* Careful consideration / prioritization on utilizing resources in line with the IDP;
* Analyze feasibility and impact on operating budget before capital projects are approved;
* Determine affordable limits for borrowing;
* Source external funding in accordance with affordability.
* Improve capital budget spending; and
* Maximizing of infrastructural development through the utilization of all available resource.

3.2.6 Cost-Effective Strategy:

* Invest surplus cash not immediately required at the best available rates;
* Restrict capital and operating expenditure increases in relation to the inflation rate taking into consideration the macro economic growth limit guideline and Municipal cost increases.
* To remain as far as possible within the following selected key budget assumptions-
  *Provision of bad debts of at least 5%
  *Overall cost escalation to be linked to the average inflation rates
  *Tariff increase to be in line with inflation plus Municipal growth except when regulated;
  *Maintenance of assets of at least 6% of total operating expenditure
  *Capital cost to be in line with the acceptable norm of 18%
  *Outstanding external debt not to be more than 50% of total operating revenue less Government Grants; and
  *Utilisation of Equitable Share for indigent support through Free Basic Services.

3.2.7 Measurable Performance Objectives for Revenue:

* To maintain the Debtors to revenue ratio below 10%
* To maintain a Debtors payment rate of above 90%
* To ensure that the Debtors return remain under 40 days; and
* To keep the Capital cost on the Operating Budget less than 18%

3.3 Financial Management Policies:

The purpose of Financial Policies is to provide a sound environment to manage the financial affairs of the Municipality. The following are key budget related policies:

3.3.1 Tariff Policy: the Policy prescribes the procedures for calculating tariffs. This policy is required in terms of Section 74 of the Local Government Municipal System Act, Act 32 of 2000;

3.3.2 Rates Policy: a Policy required by the Municipal Property Rates Act, Act 6 of 2004. This Policy provides the framework for the determination of rates;

3.3.3 Indigent Management support Policy: to provide access to and regulate free basic services to all indigents;

Indigents are those households who are unable to access or pay for basic services due to a number of socio-economic factors.

Indigents must gain access to the Municipal Services infrastructure including water supply, sanitation, refuse removal, electricity and alternative energy where no electricity is available.

The Municipality needs to ensure that the services provided to indigent households are always maintained and available.

The indigent subsidy must be targeted to the poor.

3.3.4 Budget Policy: this Policy set out the principles which must be followed in preparing Medium Term Revenue and Expenditure Framework Budget. It further ensures that the Budget reflects the strategic outcomes embodied in the IDP and related strategic policies.

3.3.5 Asset Management Policy: the objective of the Policy is to prescribe the accounting and administrative procedures relating to the property, plant and equipment;

3.3.6 Accounting Policy: The policy describes the basis of presentation of the Annual Financial Statements in accordance with the Generally Recognized Accounting Practices and Accounting Standards.

3.3.7 Supply Chain Management Policy: this Policy is developed in terms of Section 1 of the Municipal Finance Management Act, Act 56 of 2003. The principles of this Policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of Municipal Services.

3.3.8 Subsistence and Travel Policy: this Policy regulates the reimbursement of travelling and subsistence costs to officials and Councilors attending official business.

3.3.9 Credit Control and Debt Collection Policy: this Policy provides for Credit and Debt Collection Procedures and mechanisms to ensure that all consumers pay for the services that are supplied.

3.3.10 Cash Management and Investment Policy: this Policy was compiled in accordance with the Municipal Invest Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible.

3.3.11 Short-term Insurance Policy: the objective of the Policy is to ensure the safe-guarding of Council's assets.

3.3.12 General Ledger Chart of Accounts Maintenance Policy (COA)
A current and accurate Chart of Accounts is an integral part of the accounting systems of the municipality.

This Chart of Accounts is generally consistent with the definitions and procedures presented in the GRAP (General Recognize Accounting Practices) Requirement as well as the General Financial Statistics (GFS Classification) and various budget reform processes as aligned by National Treasury.

The new SCOA (Standard Charter of Accounting) as developed by National Treasury and currently being implemented in pilot municipalities (2015/2016) will have a huge impact on the financial reporting in term of the MFMA.

The new SCOA (Standard Charter of Accounting) must be implemented by all municipalities as from 1 July 2017 (2017/2018 Financial year)

Circular 74 dated 12 December 2014 stipulates as follows;

Local government budget and financial management reforms

Regulation of a 'Standard Chart of Accounts' (SCOA) for local government

The Minister of Finance promulgated the Municipal Regulations on the Standard Chart of Accounts (SCOA) on 22 April 2014. The Municipal Regulations on the Standard Chart of Accounts, Project Summary Document and Detailed Classification Framework of the 7 Segments (SCOA Version 5) can be accessed at:

http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx

Similarly to that of national and provincial government, the municipal SCOA essentially provides for a uniform and standardised financial classification framework by which municipalities are required, at a transactional level, to record all expenditure, revenue, assets and liabilities. While the overall objective and benefits of the municipal SCOA vary, the introduction of the municipal SCOA across all 278 municipalities will undoubtedly improve the ability of municipalities and councils to take informed decisions and improve service delivery outcomes through improved evidence based financial management. Importantly, it will also facilitate the aggregation of budgets and financial performance to ensure 'whole of government' reporting.

In preparation for SCOA implementation by all 278 municipalities by 01 July 2017, the National Treasury has commissioned SCOA Project Phase 4. SCOA Project Phase 4 incorporates various activities including the piloting of the SCOA classification framework in selected municipalities (across all financial systems currently operational in municipalities) with the implementation of the 2015/16 budget (01 July 2015). In addition, as a lead-up to the SCOA implementation by 01 July 2017, there will be a host of change management initiatives including the introduction of a formal training programme.

While non-piloting municipalities do not formally partake in the SCOA ICF, there are a host of immediate activities that need to be undertaken by all municipalities concurrently to the piloting process in preparation for implementation in July 2017. These include, among others:

- Tabling the Municipal Regulations on Standard Chart of Accounts in the municipal council to bring about broader awareness;
- Studying the Regulation, SCOA Project Document, associated Segments and Frequently Asked Questions which can be accessed at the above mentioned website;
- Compilation of a high level project plan and associated activities, including:

✓ Identification of a project manager / coordinator within the municipality which should preferably be within the finance department at a senior manager level;
✓ Matching the SCOA classification framework to the current chart of accounts (general ledger) currently operational in the municipality and the identification of any anomalies;
✓ Matching the Function Segment of the SCOA classification framework to the current vote and cost centre structures and identification of any anomalies;
✓ Incorporating all senior managers across the municipality into the project through internal awareness and information sharing;
✓ Incorporating the project plan and associated milestones as part of a standing agenda item at the monthly senior manager team meetings; and
✓ Tabling a progress report, including a risk matrix at the municipal council on a quarterly basis.

- Attendance of, among others, the provincial CFO Forums which will be used to provide feedback with the piloting process. In addition, there will be sessions scheduled, such as the recent provincial one day SCOA introductory sessions, which will provide further clarity as it relates to the SCOA classification framework. Attendance of these sessions by relevant officials, including the municipal SCOA project manager / coordinator, will be essential if the municipality is to proactively manage any hurdles to ensuring SCOA compliance.

Financial applications (systems) and the impact of SCOA

Municipalities are reminded that MFMA Circular No. 57 is still in effect and the guidance, processes and procedures provided in the Circular are still applicable. **Currently no system vendor (financial systems) could demonstrate SCOA compliance** and municipalities are therefore strongly advised not to proceed with any configuration or upgrades to their current core financial systems as this could potentially lead to fruitless and wasteful expenditure not to mention exposing the municipality to unnecessary risk as it relates to SCOA compliance. As indicated above, as part of SCOA Project Phase 4 all system vendors have been included in the piloting process and are currently undertaking reconfiguration and upgrades to their system functionality in support of the multidimensional chart as prescribed by the SCOA Regulations.

Furthermore, municipalities are advised that in many cases the implementation of the SCOA classification framework could be considered a reimplementation of a financial system as it relates to take on balances of previous financial years and setting up of a new general ledger. Consequently the opportune time to change financial applications would in most cases be with the implementation of the SCOA classification framework and will undoubtedly be the most cost efficient approach. Further guidance in this regard will be provided in the MFMA Circular that will be issued in early in 2015.

3.3.13 Information Technology Policy

Aim of this policy is:

To promote the professional, ethical, lawful and productive use of Umjindi Municipality information systems.

To define and prohibit unacceptable use of Umjindi Municipality information systems.

To educate Municipal officials about their Information Security responsibilities.

To describe where, when and why monitoring may take place.

To outline disciplinary procedures.

3.3.14 Debt Management Policy

The objectives of this policy are to:

Record the circumstance under which a municipality may incur debt.

Describe the conditions that must be adhered to by the Municipal Manager or his/her delegate when a loan application is submitted to council for approval;

And record the key performance indicators to ensure access to the money markets.

3.3.15 Petty Cash Policy

Policy Objectives

To ensure the correct procedures are followed when requesting a petty cash facility
To ensure that petty cash is kept safe at all times
To ensure that advances are only paid for valid expenses purchases and that all transactions are accurate and complete
To ensure that petty cash is balanced and reconciled on a daily basis in order to detect mistakes, and to prevent the float being depleted before replenishment takes place
To ensure that replenishment of petty cash is done when required and that replenishment only takes place for amounts that are supported by valid supporting documents.
To ensure that the petty cash facility is available and managed well in the absence of the regular petty cash official.

4. REVENUE FRAMEWORK:

4.1 In order to serve the Community and to render the services needed, revenue generation is fundamental to financial sustainability of every Municipality.

4.2 The reality is that we are faced with developmental backlogs and poverty, challenging our Revenue generation capacity. The requests always exceed the available funds. This becomes more obvious when compiling the Municipality's Annual Budget.

4.3 Municipalities must table a balanced and more credible Budget, based on realistic estimation of revenue that is consistent with their budgetary resources and collection experience

4.4 The Revenue strategy is a function of key components such as:

4.4.1 Growth in town and economic development
4.4.2 Revenue enhancement
4.4.3 Achievement of above 90% annualized collection rate for consumer revenue;
4.4.4 National Treasury guidelines;
4.4.5 Electricity tariff increase within National Electrification Regulator of South Africa (NERSA) approval;
4.4.6 Approval of full cost recovery of specific department
4.4.7 Determining tariff escalation rate by establishing / calculating revenue requirement; and
4.4.8 Ensuring ability to extent new services and recovering of costs thereof.

4.5 The South African economy is slowly recovering from the economic downturn and will still take some time for Municipal revenues to increase through Local economic growth.

4.6 Consequently cash flows are expected to remain under pressure for the 2015/2016 Financial Year and a conservative approach is followed to project expected revenues and cash receipts.

4.7 The following table is a summary of the total projected revenue for the Municipality over the Medium Term:

Vote Description Revenue (Income)	Final Budget 2014/2015	Actual (July 2014 - December 2014)	Adjusted Budget 2014/2015	Draft Budget 2015/2016	Budget 2016/2017	Budget 2017/2018
OPERATING REVENUE BY						
Property Rates	23 945 737	51 582 413	23 945 737	25 582 481	27 245 342	29 152 516
Property Rates-Forgone	-6 583 721	-26 461 755	-6 583 721	-6 978 744	-7 432 363	-7 952 628
Property Rates	17 362 016	25 120 658	17 362 016	18 603 737	19 812 980	21 199 888
Electricity	48 387 799	20 351 131	48 387 799	51 082 626	54 402 997	58 211 207
Electricity Pre-Paid	30 384 208	15 984 592	30 384 208	32 701 318	34 826 904	37 264 787
Water	29 931 182	12 884 761	29 931 182	30 174 859	32 136 225	34 385 761
Sanitation	5 972 712	2 938 956	5 972 712	6 280 086	6 688 291	7 156 471
Refuse Removal	12 396 999	6 337 113	12 396 999	13 597 660	14 481 508	15 495 213
Grants Operational	62 717 000	42 523 200	62 717 000	71 407 200	74 587 023	79 074 555
Interest & Inv Inc	350 000	424 410	350 000	371 000	395 115	422 773
Rent of Facilities	1 092 243	481 393	1 092 243	1 358 777	1 447 098	1 548 394
Interest on O/S Debt	2 000 000	2 949 570	2 000 000	2 120 000	2 257 800	2 415 846
Traffic Fines	252 300	46 680	252 300	267 438	284 821	304 759
Fines	677	-	677	718	765	818
Licenses and permits (Agency	2 818 130	1 427 901	2 818 130	2 987 218	3 181 387	3 404 084
Other (Miscellaneous)	4 268 556	1 651 748	4 268 556	4 524 669	4 818 773	5 156 087
Gains on Disposal of Assets	300 000	-	300 000	318 000	338 670	362 377
Profit on Sale of Inv Prop / Land	1 254 391	334 279	1 254 391	7 329 655	1 416 082	1 515 208
TOTAL OPERATING REVENUE	219 488 212	133 456 392	219 488 212	243 124 961	251 076 438	267 918 229
Grants Conditional	1 500 000	-	1 500 000	1 590 000	1 693 350	1 693 350
TOTAL REVENUE	220 988 212	133 456 392	220 988 212	244 714 961	252 769 788	269 611 579

5. GRANT FUNDING:

5.1 The Division of Revenue Act contains allocations from National and Provincial, which allocations are recognized as Government Grants and factored as follows under the Medium Term:

5.2 With the promulgation of the 2015 Division of Revenue bill in February 2015, the following operational and capital allocations towards the municipality have been factored into the MTREF. (*Bill published in Government Gazette No. 38458 of 13 February 2015)*

DESCRIPTION	BUDGET 2014/154	BUDGET 2015/16
MIG	29 824 000	30 650 000
INEP	5 300 000	4 000 000
FMG	1 600 000	1 600 000
MSIG	934 000	930 000
EPWP Incentive	1 795 000	1 435 000
Water Infrastructure Grant	21 000 000	70 000 000
Disaster Recovery Grant	0	10 000 000
Equitable Share	58 318 000	67 369 000
TOTAL GRANTS	118 771 000	185 984 000

5.2 Government grants forecasted for the 2015/2016 Financial Year reflect an increase of 63.86% from the 2014/2015 Financial Year.

5.3 The Equitable Share allocation to the local sphere of Government is an important supplement to existing Municipal Revenue and takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in Municipalities.

5.4 It is an unconditional grant and allocations are contained in the Division of Revenue Act (DORA).

5.5 The structure and components of the formula are summarized as follows:

Structure of the local government equitable share formula

LGES = BS + (I + CS)xRA ± C

where

LGES is the local government equitable share

BS is the basic services component

I is the institutional component

CS is the community services component

RA is the revenue adjustment factor

C is the correction and stabilization factor

5.6 It should be noted that the basic component support is only for poor households earning less than R1500.00 per month and it also distinguishes between poor households provided with services and those provided with lesser or no services.

5.7 A Municipality should prioritize its budget towards poor households and national priorities such as free basic services and the expanded public works programme.

6. TARIFF SETTING:

6.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the Revenue is also derived from property rates and grants by National Governments as well as other minor charges such as traffic fines.

6.2 As in the past, increase cost primarily driven by the Consumer Price Index (CPIX), dictates an increase in the tariffs charged to the consumers and the ratepayers. It therefore follows that all the tariffs will have to be increased by a percentage in line with the forecasted CPIX estimated at an average CPI for this period is 5.8 per cent.

Municipalities must take the following inflation forecasts into consideration when preparing their 2015/16 budgets and MTREF. This information will be updated in a further Budget Circular to be issued after the tabling of the National Budget

Fiscal year	2014 Actual	2015 Estimate	2016	2017 Forecast	2018
CPI Inflation	5.6%	6.2%	5.8%	5.5%	5.3%

Source: Medium Term Budget Policy Statement 2014

` *The MFMA Circular 74 however stipulates as follows:*

When municipalities and municipal entities revise their rates, tariffs and other charges for the 2015/16 budgets and MTREFs, they need to take into account the primary and secondary costs of services provided, local economic conditions and affordability of services to ensure financial sustainability.
National Treasury also continues to encourage municipalities to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor households, other customers and ensuring the financial sustainability of the municipality. For this reason municipalities ***must justify in their budget documentation all increases in excess of the 6.0 per cent*** upper boundary of the South African Reserve Bank's inflation target in the budget narratives.

MFMA Circular No. 75
This circular provides further guidance to municipalities and municipal entities for the preparation of their 2015/16 Budgets and Medium Term Revenue and

Expenditure Framework (MTREF). It must be read together with all previous MFMA Budget Circulars, and specifically MFMA Circular No. 74.

6.3 It is realized that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.

6.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.

6.5 The latest figures released by STATS SA indicated contractions in several spheres of the economy and this confirms that the disposable income of households remain under a lot of strain.

6.6 By drastically increasing tariffs on essential commodities, more strain will be added for the already cash stripped resident households.

6.7 Increase beyond the CPIX included in the Medium Term will only add to bad debt which is already high and a decline in the cash flow

6.8 It must be kept in mind that household cash flow will definitely be strained by tariff increase of ESKOM.

6.9 The outcome of the proposed increase in tariffs for the 2015/2016 on the different categories is as follows:

DETAILS	2014/15 TOTAL BUDGETED REVENUE	2015/16 TOTAL BUDGETED REVENUE	2015/16 INCREASE
Property Rates	23,945,737	25 582 481	
Property Rates Forgone	-6 583 721	-6 978 744	
Total Property	**17 362 016**	**18 603 737**	**7.16%**

Rates			
Electricity	**78,772,007**	83 783 944	6.37%
Water	**29,931,182**	**30 174 859**	**0.82%**
Sanitation	**5,972,712**	6 280 086	5.15%
Refuse Removal	**12,396,999**	13 597 660	9.69%
TOTAL	**151,018,637**	152 440 286	0.95%

6.10 From the household perspective, how much more will be paid in rand is of more interest than the 6% increase in the various tariffs and rates.

6.11 The implementation of the Credit Control and Debt Collection Policy, particularly with regards to the appointment of the Debt Collection Agency will aid in ensuring that the Municipality reverts back to its collection rate of 91% over the past financial year. It is however envisaged that with the pressure on tariff increases to fund the Medium Term Budget, the payment rate will become under pressure and special attention will have to be paid on managing all revenue and cash streams especially debtors.

6.12 The Equitable Share allocation is mainly used to provide free basic services to approximately 2000 Indigents. The proposed Indigent support provided for as per Final tariffs (Which still have to be approved by council) is approximately as follows:

INDIGENTS AND FREE BASIC SERVICES		
	PER HOUSEHOLD PER MONTH	RAND AMOUNT PER MONTH
Free Basic Electricity per month	239.50	479 000
Free Basic Water per month	63.41	126 820
Free Refuse and Sewerage per month	145.58	291 160
Free assessment rates per month	22.50	45 000
Total free basic services per month		941 980

7. EXPENDITURE FRAMEWORK:

7.1 Some of the salient features and best practice methodologies relating to expenditure include the following:
7.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)
7.1.2 Balanced budget constraint (Expenditure cannot exceed Revenue)
7.1.3 Capital programme aligned to Asset renewal Strategy
7.1.4 Operational gains and efficiencies resulting in additional funding capacity on the Capital Programme as well as redirection of funding to other critical areas, and
7.1.5 Strict principle of no project plan (business plan) no budget allocation (funding allocation)
7.2 The following table is a high level summary of the total projected expenditure for the Municipality over the Medium Term period and aligned to the IDP.

Vote Description Expenditure	Final Budget 2014/2015	Actual (July 2014 - December 2014)	Adjusted Budget 2014/2015	Draft Budget 2015/2016	Budget 2016/2017	Budget 2017/2018
Employee Remuneration	70 697 089	32 126 073	70 697 090	75 244 070	80 134 935	85 744 380
Employee : Social Contribution	15 082 379	6 243 120	15 082 379	16 274 094	17 331 910	18 545 144
Councillors Remuneration	7 040 104	2 689 277	7 040 104	7 462 511	7 947 574	8 503 904
Depreciation	23 000 000	-	23 000 000	24 380 000	25 964 700	27 782 229
Repair & Maintenance	4 170 707	1 626 331	4 170 707	10 544 490	8 873 845	9 495 014
Interest Paid	753 634	783 728	753 634	798 852	850 777	910 332
Bull Purchases	62 535 000	31 756 667	62 535 000	71 721 391	76 383 281	81 730 111
Contracted Services	11 847 822	6 048 648	11 847 822	12 465 679	13 275 948	14 205 264
Grant&Subsidy paid Operational	8 735 000	3 221 891	8 735 000	8 375 000	7 391 100	7 908 477
Pauper Burial Services	25 000	-	25 000	35 000	37 275	39 884
Contribution to Funds & Reserves	18 302 596	-	18 302 596	19 400 752	20 661 801	22 108 127
Internal Capital	3 141 000	121 266	3 141 000	3 730 578	-	-
General Expenses	31 104 968	9 486 428	31 104 521	33 343 372	33 982 416	36 361 185
Finance Grants	2 534 000	2 370 797	2 534 000	2 530 000	2 582 000	2 733 000
TOTAL OPERATING	258 969 299	96 474 226	258 968 853	286 305 787	295 417 561	316 067 051
Grants Conditional	-	-	-	-	-	-
TOTAL EXPENDITURE	258 969 299	96 474 226	258 969 299	286 305 787	295 417 561	316 067 051
Surplus/(Deficit)	-37 981 086	36 982 166	-37 981 086	-41 590 827	-42 647 773	-46 455 472
Increase / (Decrease) in total		-62.75%	0.00%	10.56%	3.18%	6.99%
NON-CASH ITEMS						
Asset depresiation	23 000 000		23 000 000	24 380 000	25 964 700	27 782 229
Bad Debts	15 371 596		15 371 596	16 293 892	17 352 995	18 567 704
Other Provisions	2 931 000		2 931 000	3 106 860	3 308 806	3 540 422
Interest Debtors	-2 000 000		-2 000 000	-2 120 000	-2 257 800	-2 415 846
Actual Surplus / (Deficit) on	1 321 510		1 321 510	69 925	1 720 927	1 019 038

7.3 The Medium Term projections reflect an average growth of 14.44% for the 2015/16 MTREF

7.4 In terms of the projected operating budget of R 286 302 787.00 for the 2014/2015 Financial Year, indicative Salary increases have been included and represents 33 % of the total Operating Expenditure forecast.

7.5 The cost associated with the remuneration of Councilors is determined and informed directly by way of the Remuneration of Public Office Bearers Act 1998 (Act No 20 of 1998)

7.6 Bulk Electricity purchases remain the increasing factor on Operating Expenditure as have National Treasury advised the municipalities as follows: (MFMA Circular 74):

Eskom bulk tariff increases

Municipalities are advised to structure their 2015/16 electricity tariffs based on the **12.69 per cent** guideline and provide for a **14.24 per cent** increase in the cost of bulk purchases for the tabled 2015/16 budgets and MTREF.

MFMA Circular No. 75

This circular provides further guidance to municipalities and municipal entities for the preparation of their 2015/16 Budgets and Medium Term Revenue and Expenditure Framework (MTREF). It must be read together with all previous MFMA Budget Circulars, and specifically MFMA Circular No. 74.

Annexure C to MFMA Circular No. 75

This circular provides further guidance to municipalities and municipal entities for the preparation of their 2015/16 Budgets and Medium Term Revenue and Expenditure Framework (MTREF) relating to the likelihood of further increases to the bulk price of electricity that is taken in consideration with the compilation of the 2015/2016 budget.

8. CAPITAL REQUIREMENTS:

8.1 The following table indicates the projected Medium Term Capital requirements per Department. (Internal Capital)

INTERNAL CAPITAL	2015/2016
	FINAL BUDGET
Directorate: Civil Services	R 46 200
Directorate: Community Services	R 543 570
Directorate: Corporate Services	R 458 000
Human Settlements:	R 32 787
Development Planning :	R 127 000
Directorate: Financial Services	R 1 380 000
Directorate: Civil Services	R 472 280
Directorate: Electrical Services	R 629 741
Directorate Municipal Manager	R 41 000
TOTAL	**R 3 730 578**

8.2 These figures are based on the projects identified through the IDP project phase and reflect estimated amounts based on the availability of funding.

8.3 It is imperative that Capital Budgets are prioritized to reflect consistent efforts to address backlogs in basic services and the refurbishment and expanding of existing infrastructure.

8.4 Cognizance should also be given that National Government has prioritized the quality of drinking water and failures in the management of waste water through the blue drop and green drop performance ratings.

8.5 Measures have to therefore be taken over the Medium Term Revenue and Expenditure Framework to implement these strategies to ensure that existing waters supply and waste water comply with these requirements.

8.6 It is important to realize that these figures are only indicative of the different services and may vary as priorities change.

8.7 From the above it is clear that for the next three years many challenges lie ahead to appropriate Capital Expenditure towards available sources of funding and to obtain alternative funding sources to address the needs as identified in the IDP.

8.8 In terms of infrastructure development and to reach the Government Service Delivery targets, 94 % of the Capital Programme will be allocated for this purpose.

9. CONCLUSION

9.1 The continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all

9.2 The Financial planning imperatives contribute to ensuring that the Municipality remains financially viable and that municipal services are provided economically to all communities

9.3 The Multi-year Financial Plan contains realistic and credible revenue and expenditure forecasts which should provide a sound basis for improved financial management and institutional development as well as service delivery improvements and implementation.

9.4 The strategy towards cash backing will certainly ensure the sustainability of the Municipality over the medium-to long-term